

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7294

BILL NUMBER: HB 1478

NOTE PREPARED: Mar 28, 2011

BILL AMENDED: Feb 14, 2011

SUBJECT: Enhanced Health Facility Quality Assessment Fee.

FIRST AUTHOR: Rep. Brown T

FIRST SPONSOR: Sen. Kenley

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill extends the collection of a nursing facility quality assessment fee (QAF) until June 30, 2014, with changes to the amount collected and the amount dispersed, providing the health facilities with 67% of the money and the state with 33% of the money.

Effective Date: July 1, 2011.

Explanation of State Expenditures: This bill would authorize the Office of Medicaid Policy and Planning (OMPP) to apply to the Centers for Medicare and Medicaid Services (CMS) for approval to increase the amount of the QAF to the maximum percentage allowed by federal law and extend the collection of the fee for three years - until June 30, 2014. Medicaid waiver and plan amendments are generally considered to be administrative in nature and achievable within the current level of resources available to the OMPP. OMPP will be required to revise the current assessment methodology and the distribution of the collections. The ultimate QAF collections would depend on federal actions. [See *Explanation of State Revenues* below for estimated revenues.] Should federal financial participation become unavailable to provide for the additional reimbursement, the bill provides that OMPP will cease to collect the QAF.

The bill requires OMPP to notify the Indiana State Department of Health (ISDH) if any facility has failed to pay the QAF more than 120 days after the payment is due. The ISDH is required to notify the facility that the facility's license will be revoked if the QAF is not paid. This sanction provision is in place currently for the QAF.

(Revised) *Distribution of QAF expenditures:* The bill specifies that 67% of the collected QAF shall be used to pay the state share for Medicaid nursing facility services leveraging federal Medicaid matching funds. The

remaining 33% is to go to the state. [The current statute requires that 80% of the QAF collected must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state.]

Explanation of State Revenues: (Revised) *Extension of the QAF:* Extending the authorization for the collection of the QAF and maximizing the amount to be collected from July 31, 2011, to June 30, 2014 would authorize an estimated annual collection of about \$144.4 M for each of FY 2012, FY 2013, and FY 2014 if nursing facility days remain constant. The total annual collections and the state share of the collections from both provisions are as follows.

Fiscal Year	Total QAF Collections	State Benefit From		
		Extension of QAF	% Change & Maximization	Total Collections
2006	\$ 327.4 M	\$ 62.7 M		
2007	\$ 108.4 M	\$ 21.7 M		
2008	\$ 103.4 M	\$ 20.7 M		
2009	\$ 96.5 M	\$ 19.3 M	\$ 14.5 M @	\$ 33.8 M#
2010	\$ 98.8 M	\$ 19.8 M	\$ 19.8 M @	\$ 39.6 M
2011*	\$ 98.2 M	\$ 19.6 M	\$ 9.8 M @	\$ 29.4 M#
2012*	\$ 144.4 M	\$ 19.6 M	\$ 28.1 M	\$ 47.7 M
2013*	\$ 144.4 M	\$ 19.6 M	\$ 28.1 M	\$ 47.7 M
2014*	\$ 144.4 M	\$ 19.6 M	\$ 28.1 M	\$ 47.7 M
* Estimated; assumes nursing facility days remain constant.				
@ Estimated temporary increase in state share for ARRA stimulus.				
# Temporary increase in state share is for less than a full year.				

Background: In the current model approved by CMS, the amount of the QAF is based on a nursing facility's total annual patient days. Quality assessments of \$10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed \$2.50 per non-Medicare patient day, as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 34% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 66%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%. Federal ARRA provides that enhanced Medicaid stimulus funding will be available to the state until December 31, 2010. An amendment to the ARRA subsequently extended phased-down stimulus funding until June 30, 2011.

Explanation of Local Expenditures: See *Explanation of State Revenues*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

Explanation of Local Revenues: See *Explanation of State Expenditures*, above, as it relates to Health and

Hospital Corporation of Marion County and municipally owned or county-owned nursing facilities or health facilities.

State Agencies Affected: OMPP; ISDH.

Local Agencies Affected: Health and Hospital Corporation of Marion County-owned, municipally owned, or county-owned nursing facilities or health facilities.

Information Sources: Family and Social Services Administration, OMPP.

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